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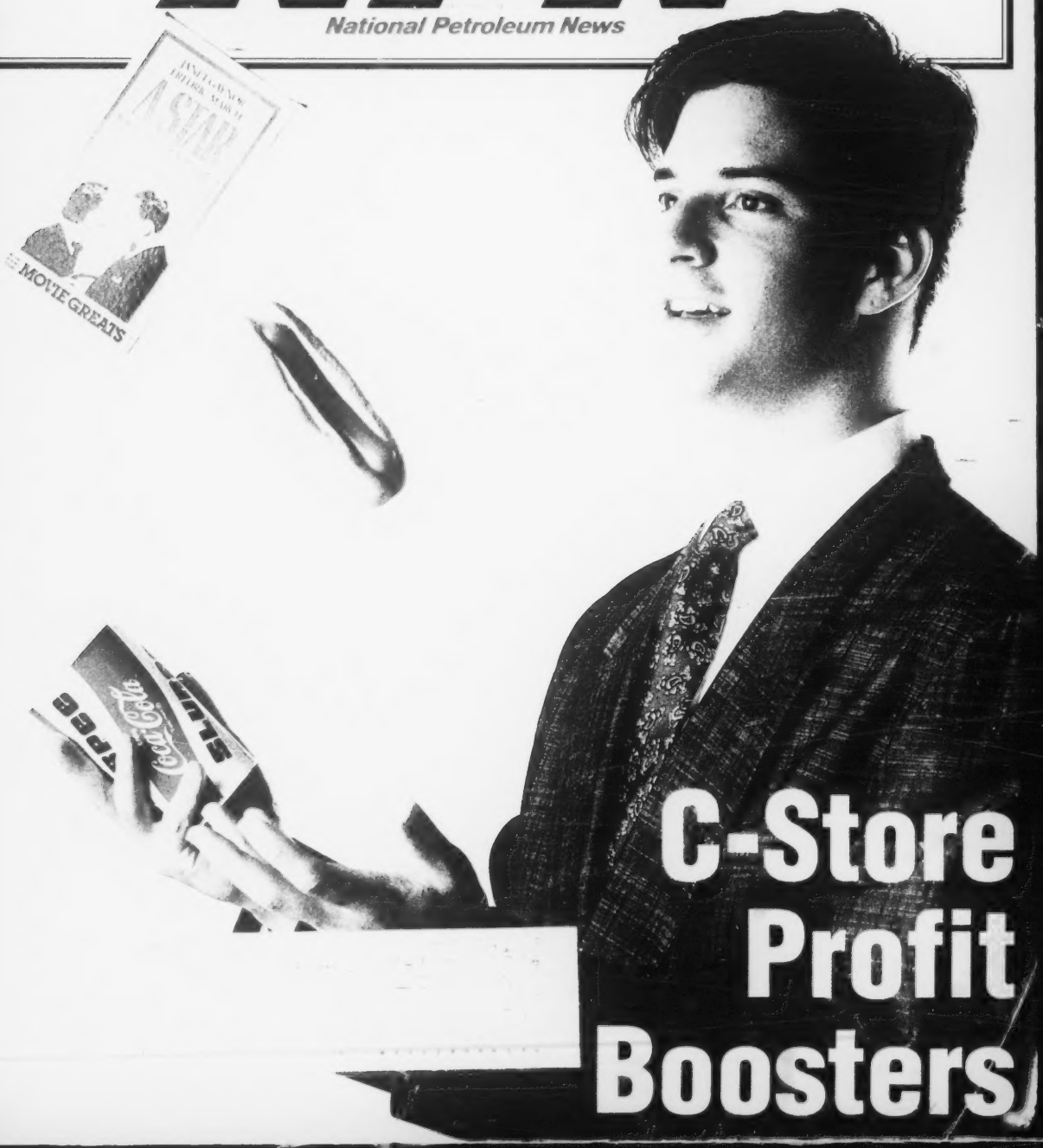
U.K. Market Mirrors U.S. "Cousins"
C-Stores: Looking Back

NPN

National Petroleum News



C-Store Profit Boosters

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Editor's Viewpoint

Without question, all of you have been encouraged, and perhaps even beguiled, at one time or another by the lucrative potential represented by convenience stores. The business is out there; no doubt about it. But the question is how do you make that C-store, or for that matter any business, truly profitable?

Many retail marketers have found tremendous success in the C-store industry and are making a nice pocketful of change in this exciting business. However, after interviewing a variety of marketers from across the United States, we have discovered that making an honest profit isn't as easy as many make it out to be. Typical gross revenues can be very tantalizing, but it takes a dedicated marketer to make the cash register ring out a melody of net profits.

To some petroleum marketers, getting into the convenience store arena might appear to be somewhat more difficult these days because C-stores are just about everywhere. Some say the market is saturated. However, a number of successful marketers tell us the C-store industry is still a winning proposition if you specialize in certain high-demand product categories or develop "niche" markets.

It's a juggling act, in the main. And juggling those potentially profitable convenience store goodies can be exciting and challenging. It's also demanding; our staff interviews revealed that it takes good planning, smart business practice and a little help from lady luck.

The trick is not to spread yourself too thin, some marketers advise. Keep the focus on those profit makers that make sense for your operating style that will work in the markets you serve. Gourmet coffee, for example, works well in an upscale Boulder, Colo., setting. Fried chicken can boost inside sales in rural Michigan.

"It's not a question of can you be successful, but what you focus your priorities on," explains one California refiner/marketer. "What we do, we do well."

In the complete C-store report that begins on page 38, petroleum marketers explain how they differentiate their convenience store operations from their competitors. So I guess the message this month is not what you sell, but how well you sell it.

—Peggy Smedley

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In today's highly competitive market, savvy C-store operators seek out the merchandising "hook" that will pull in customers. Here's a roundup of in-store profit centers that marketers around the country have successfully developed.

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Casey's General Stores has built a successful and growing chain of C-store/gasoline outlets by targeting the small towns and rural areas of the Midwest. Here's how they did it.

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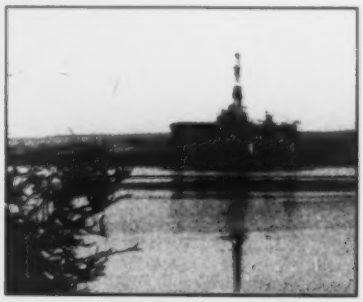

The marketing of "petrol" in the United Kingdom takes place in a fast-paced, highly congested market environment, with the competitive emphasis geared to modernizing and creating the most up-to-date facilities possible.

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Second Quarter Nets: Interesting; Not Exciting

Some oil companies made bundles, both upstream and downstream, in the second quarter of this year while others lost money. Overall there was little in any of the reports to get excited about.

At first glance it looked like Exxon had made a real killing in the second quarter, an increase of 686%. But that was only because the second quarter of last year had been depleted by the assignment of tens of millions of dollars to help clean up the Valdez spill disaster in Alaskan waters.

If Valdez hadn't happened or if the cleanup costs had been excluded from the 1989 earnings summations, Exxon would probably have made a billion dollars or so in that period and the inevitable financial comparisons would have been small, maybe "even-steven" or a slight decrease.

Chevron, which seemed to have been having all sorts of downstream marketing problems, surged brightly in the second quarter and the first half. It earned $648 million in the second quarter and $1.12-billion in the first half, up 60% and 50%, respectively. Downstream it looked even better, coming up with domestic increases of 260% and 290%, respectively.

The Boxscore: Valdez Losses Make Exxon Look Good

The Corporate Returns
(Millions of Dollars)

	2nd Qtr 1990	2nd Qtr 1989	% Chng	6 Mos 1990	6 Mos 1989	% Chng
Exxon	$1,110.0	$ 140.0	685.7%	$2,380.0	$1,950.0	22.1%
Mobil	498.0	401.0	24.2	898.0	830.0	8.2
Chevron	648.0	404.0	60.4	1,121.0	717.0	56.3
Amoco	379.0	497.0	(23.7)	845.0	955.0	(11.6)
Shell	161.0	440.0	(63.4)	363.0	801.0	(54.7)
Texaco	353.0	366.0	(3.6)	681.0	1,821.0	(62.6)
Arco	391.0	467.0	(16.3)	983.0	1,171.0	(16.1)
BP America	n/a	n/a	n/a	n/a	n/a	n/a
Phillips	105.0	197.0	(46.7)	364.0	387.0	(5.9)
Conoco	166.0	114.0	45.6	363.0	331.0	9.7
Unocal	165.0	120.0	37.5	242.0	207.0	16.9
Marathon	315.0	257.0	22.6	557.0	498.0	11.8
Sun	115.0	105.0	9.5	186.0	186.0	--
Amerada Hess	(72.1)	133.5	--	(32.5)	353.7	--
Pennzoil	4.8	118.0	(95.9)	37.3	170.6	(78.1)
Ashland *	100.0	43.5	129.9	122.9	125.6	(2.1)
Kerr-McGee	30.1	34.7	(13.3)	57.2	98.6	(42.0)
Murphy	28.5	16.8	69.6	57.5	23.2	147.8
Amer. Petrofina	53.8	41.8	28.7	80.2	90.6	(11.5)
Citgo **	84.4	63.6	32.7	130.4	112.3	16.1
Dia. Shamrock	28.6	29.0	(1.4)	28.6	28.6	--
Total	17.2	26.3	(34.6)	4.9	28.1	(82.3)
Crown Central	15.2	6.3	141.3	16.3	5.5	196.4
Coastal	22.1	35.3	(37.4)	97.7	95.7	2.3

** Third quarter, fiscal ends 9/30; ** Operating profits, not net.*
Chevron, Texaco, Arco and Sun Hit Marketing Jackpots

Downstream Earnings

(Millions of Dollars)

Exxon (Total)	$574	$236	143%	$765	$411	86%
Domestic	76	96	(20)	48	132	164
Foreign	498	141	253	717	279	1506
Mobil (Total)	278	79	252	370	188	97
Domestic	58	102	(43)	97	171	(43)
Foreign	220	(23)	--	273	17	157
Chevron (Total)	448	166	170	678	216	214
Domestic	370	103	259	429	110	290
Foreign	78	63	24	149	106	41
Texaco (Total)	328	209	57	464	346	34
Domestic	171	79	117	201	116	73
Foreign	157	130	21	263	23	14
Amoco (Worldwide)	(125)	213	--	(14)	327	--
Shell	73	132	(45)	52	245	(79)
Arco	175	91	92	247	108	129
Conoco	135	92	47	216	163	33
Sun	131	65	102	156	132	18
Marathon	263	169	56	340	235	45

Middle East: The Sound Of Dominos Falling

What happened in the Mideast in late July and early August will have costly overtones and economic repercussions in the United States and the rest of the world, especially those countries where petroleum consumption is heavy—for years to come. The United States is the world's greatest consumer of oil products.

Even if Iraq is slapped down by international censure, global isolation and/or military intervention via maritime blockades, peace and serenity will not come back easily. Prices, always volatile and susceptible to rumors, reports and speculator high jinks, will be jittery and generally irrational in marketplaces for the next 12 to 24 months.

These are things that oil companies, analysts and the marketplaces were pretty well agreed upon in the early days. Where gasoline and fuel oil prices are concerned, all forecasts and even day-to-day updates were outdated almost hourly with electronic services telling already nervous speculators all they needed to know, be it fact or fiction. Television added new dimensions to the disorder.

One of the calming voices for marketers was that of Phillip Chisholm, executive director of the Petroleum Marketers Assn. of America. There are ample supplies of crude oil available through the world, he says, and the U.S. Strategic Petroleum Reserves also has 600-million bbl. tucked away for security reasons.

"I think that the operative phrase for our industry as well as our customers is 'don't panic.' Clearly the events in the Middle East are a cause for concern throughout the world, but it also important to remember that oil is, in fact, a commodity and as is the case with any commodity, price volatility works both ways—prices can rise very quickly and they can fall very quickly."

Unfortunately gasoline prices went up so fast—14¢ gal. in some places within hours of the Iraqi attack on Kuwait—that the actions brought criticism and scorn for the price leaders and, subsequently, the industry as a whole. One cynic, recalling last winter's fuel oil spike, muttered, "Yeah, how fast they went up and how slow they were to come down." Price gyrations were fantastic. In New York City, for example, gasoline sold at some stations at $1.75 gal., amid predictions that $2.00 to $3.00 gal. retail postings were distinct, but discordant realities.

If, in the event of a blockade of Iraqi and Kuwaiti exports, the loss of these sources of crude oil supply would be relatively meaningless to the U.S. Total imports from these two countries amount to less than 2-3% of the U.S. supply. Where it would be disastrous, however, would be in the global dislocations of crude oil shipments to other countries and the resultant jungle-like competition for what's available.

Most of the world, including those who would be hit hardest by the disappearance of Iraq and Kuwait oils, agreed at the outset to an international boycott, even Japan and the Soviet Union. If it holds up, Iraq could probably be brought to its knees quickly.

• TRENDS

Spill Legislation May Cause Oil Shortages Later

There's no room for complacency these days in what used to be the routine transfer of crude oil from faraway well heads in the Middle East, North Africa, Latin America and elsewhere to the relative sanctity of the terminals and storage tanks feeding U.S. refineries.

Two words, "unlimited liability," are the cause of it all. There is so much volatility in them, in fact, that some analysts already foresee the possibility of domestic shortages of refined products by the mid-'90s; in other words, "gas" lines again and/or, depending upon the season of the year, perhaps run-outs of distillates in home-heat tanks as well.

There's no shortage of crude oil now, or is there expected to be throughout the '90s. But there are thousands of miles of ocean waters between the loading ports in other parts of the world to the terminals, tanks and pipelines of the East, West and Gulf Coasts.

The problem is: Who owns or is responsible for the crude oil once it is aboard a tanker? Who pays the tab—and how much—if there is an accident? The shipper? The buyer? The owner of the tanker? The insurance firm? Individually or collectively?

Obviously, if there is an accident, such as the Valdez problem in Alaska or the sea disaster of an Amoco tanker off the coast of France several years ago, in which millions of gallons of crude oil bathed shorelines and pristine territories for miles, the liability cost can easily run into the billions.

The U.S. Congress is on the verge of breaking a 16-year impasse on oil-spill legislation. This bill, presuming it will be passed by the House and Senate and signed by the President, will make the vessel owners solely responsible for the cargoes and liable for all spills and damages, including environmental repairs. Shippers would no longer share such responsibility.

The House-Senate conferees who approved the legislation rejected a clause that would have okayed U.S. participation in an international treaty that would have limited shippers' responsibility in a spill.

What this does, in effect, is to affirm the right of individual states to specify unlimited liability for shippers, ship owners and/or other parties. The federal law would not preempt. Maine already has such legislation and conceivably other coastal states could soon follow or will do so at their own pace.

Now, oil companies, shippers, ship owners, insurance companies, *et al*, etc., are seeking ways and means to get around the "unlimited liability" problem. Some ship owners have subdivided their fleets into one-ship companies, to minimize liability claims against the total operation. A one-time U.S. oil trader, now a fugitive living in Switzerland, was said to have started a new insurance company which would take title to the oil while in transit and return it to the owners once it was delivered. A Texas oil man reportedly is working on a similar plan.

The biggest problem is that legitimate companies may be scared away from handling cargoes of crude oil to the U.S. and risking their assets each time. This, they say, could cause oil shortages later in the '90s. These analysts also say the tricky situation and the fact that big money could be made would attract inadequately financed tanker owners who would simply fold up and fade away if an accident occurred. Their equipment conceivably could be so poorly maintained that they would be more vulnerable to more accidents and problems, not fewer.

An indication of what might be in store for the future: *The Wall Street Journal* said recently that four barging companies, including units of Texaco and Amerada Hess, have already stopped heavy oil shipments to Maine because of its "unlimited liability" law. The journal also said six other companies, not identified, are now refusing to transport crude to the U.S. in anticipation of the bill now pending in Congress. Still another example: A major crude carrier on the West Coast has already pulled its 51 tankers from U.S. ports. The problem's going to get bigger in the months ahead.

J. Richard Shaner

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (per gal.)

JUNE	Gasoline (All types)	Leaded Regular	Unleaded Regular	Unleaded Premium
U.S. City Avg.	$1.140	$1.077	$1.088	$1.271
Regions				
Northeast	1.144	1.117	1.065	1.282
North Central	1.154	1.091	1.112	1.306
South	1.123	1.073	1.061	1.236
West	1.141	1.073	1.017	1.298

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	3/2/90	3/3/89
Gasoline (Total)	218,483	222,441
Gasoline (Unleaded)*	167,736	162,881
Jet Kerosine	44,668	41,668
Distillates	119,228	113,993
Residual	45,201	41,768

**Included in gasoline total.*
Source: American Petroleum Institute.

C-Store Profit Boosters

What separates the winners from the losers in the convenience store business? What makes one C-store profitable while another store—same town, same customer base, perhaps even the same neighborhood or street—is losing its shirt?

There's no simple formula for C-store profitability that works for all marketers in all situations. In today's highly competitive market, savvy C-store operators are looking for the merchandising "hook" that will pull customers into their stores and make their cash registers hum. Each department in the store, each product category, is carefully scrutinized for its performance as an individual "profit center" within the context of the store's overall operation.

Many jobbers and C-store companies have done their homework and worked hard to develop the right mix of profit centers for their C-store operations. On the pages that follow, *NPN* presents a series of reports on how individual marketers from around the country have boosted their store profitability by creating successful merchandising programs for selected products and services—deli bars, ice cream, beverages, fried chicken, hot dogs, cigarettes, videos and other product lines.

However, successful merchandising is not simply a matter of stocking your shelves with the right product. Identifying what your customers really expect from your stores and motivating your managers and employees to do a better job of merchandising and selling are also important.

This is not textbook stuff. These are actual case histories of how some marketers—with operations quite similar to yours and those of other marketers—have successfully implemented the profit center concept in their stores.

Ice Cream/Soft-Serve Yogurt

The smooth, creamy appeal of soft-serve yogurts, ice creams and non-dairy products can give marketers a unique edge in C-store merchandising.

Taylor Oil Co. of Wellsville, Kan., may have found such an edge with a non-dairy product marketed toward diabetics.

"People drive 20-30 miles because we're the only store with the product," says Curt Wright, C-store director for Taylor Oil. The company markets the product, called "Skinny Dip," (a yogurt-like desert flavored with natural fruit sugars), through newspaper ads in small, rural areas (roughly 10,000 in population).

Wright estimates that since introducing the product back in December of last year, sales in one store have increased $60-$70/day. Three of Taylor Oil's five stores offer the Skinny Dip product. He adds that the other two locations have seen an increase in new faces coming through their doors with the introduction of the product.

"In the summer heat, it's something to cool off with, and during winter, (the product) can be marketed to diabetics, many of whom can't find it in the grocery stores," Wright says.

As far as equipment goes, Wright says his company got a good deal on dispensers at local auctions. He says a new soft-serve dispenser can run in the range of $2,000.

Labor is involved as well. With soft-serve equipment in general, jobbers say the equipment must be cleaned every day, consuming a good hour of an employee's time.

Costs for the Skinny Dip product are also roughly 50% higher than regular yogurt, but Wright says high margins for yogurt and other soft-serve products make up for the cost—and sales more than make up for the cost of both equipment and labor.

All in all, Wright says his soft-serve product works, giving him an edge in a market that's getting more and more competitive.

Ice cream can also be a sweet ticket to cool profits, as marketers are finding out. High margins, minimal labor and the taste-tempting lure of fresh products all add up to increased in-store sales.

One Columbus, Ind., marketer calls ice cream the easy way to get into fresh foods without the complexity of a deli.

"People like fresh items, whether it's a sandwich or a deli item or ice cream," says Dick Johnson of Johnson Oil Co. He says many people prefer a fresher snack such as ice cream over something prepackaged, like a candy bar.

Johnson, who has been offering ice cream for about five years now, sells it in a dozen of his 50 "Bigfoot" convenience stores. Each store features a dozen ice cream selections displayed in glass-enclosed freezers. The freezers are placed next to the checkout counters at each store.

In that location, ice cream becomes an impulse item, advertised by its visual appeal, point-of-sale signage and sometimes "suggestive selling" by the cashier.

Johnson pays $100/mo. to lease the ice cream equipment.

He says that while ice cream is just one ingredient in the store's recipe of merchandise, it does "better than average" as compared to the average C-store margin of roughly 33% according to the National Assn. of Convenience Stores (NACS).

High sales volume can accentuate

An NPN Special Staff Report

profits, as Andalusia, Ala., marketer Myers Armstrong of Price Oil Co. has found over the last decade of selling ice cream.

Armstrong says his customers have come to identify his stores with the cleanly-displayed, quality ice cream he sells. An average store can sell up to 30 three-gal. buckets of ice cream a week, Armstrong says.

Price Oil maintains strict quality controls, keeping the product from getting old or stale. Employees also go through a 30-45 minute training session on how to scoop ice cream and keep it fresh, Armstrong says. He adds that sales in his area remain strong through winter months.

Johnson of Johnson Oil says a location will suffer if there's a local ice cream franchise in the neighborhood, but in areas where there is no other ice cream shop, the product is a good mix at his C-stores. Johnson also adds that high-traffic interstates full of hungry travelers also make for good ice cream business.

To differentiate his stores from others, Johnson has taken to selling "premium" ice creams, touting both their richness and low calorie content.

Johnson and Armstrong both agree that ice cream requires minimal labor and makes for a clean entry into fresh foods.

Beverages

The sweltering Kansas heat would be enough to boost cold beverage sales in Hutchinson, Kan. But for T & E Oil Co., its ability to boost its soda, juice and beer profits by 10% each year over the last five years has to do with another very fortuitous situation.

T & E Oil owns and operates nine gasoline station/C-stores ranging in size from 1,000 to 2,400-sq.ft. Eight are located in Hutchinson, which has a population of 40,000 and relies heavily on the agricultural and aircraft industry trade.

The company markets Fina, Texaco and Phillips brands of gasoline, and does so in a town, Hutchinson, that is regarded by many as the softball capital of the U.S. It's gained that distinction with a modern, state-of-the-art softball facility, which plays host to out-of-town tournaments most of the summer and early fall.

But its out-of-town softball interests are just the tip of the iceberg. The town has a wide variety of local church and recreational 12-inch softball leagues that run from May to October. That's the main ingredient for T & E's exceptional cold beverage sales in Hutchinson, for anyone who knows anything about softball players knows that icy cold ones go hand-and-glove with their game.

Kevin Brown, general manager for T & E Oil, says discounting cold beverages is not essential since sales are on "automatic pilot." "I never have to put any of my soda on sale. Even in the offseason there's still this mindset people have on soda and juices."

After a game, a T & E convenience store will get a carload or two of softball players in one or more of our stores," says Brown, whose closest store is located about eight blocks from the nearest softball facility.

Brown says the great thing about softball is its broad demographic composition. In Hutchinson, men between the ages of 18-50 are active sports enthusiasts, and women between 22-35 play. Brown says he capitalizes most on the 25-35 range, both male and female, in peddling soda, fruit juice and the newest rave, Gatorade dispensed from the fountain.

On the average, T & E Oil has six fountain heads per store for soda, which accounts for 60% of all cold beverage sales. T & E also has two juice dispensers and one slush machine per store.

Gatorade sales, riding the crest of its popularity with athletes, have soared at T & E. Out of the fountain, a large 44-oz. Gatorade costs 89¢, while a 16-oz. bottle goes for $1.09.

On a rotating basis, Brown promotes lemonade, cherry and orange-flavored juices. All fountain drinks are sold in cups that range in size from 16 to 44-oz. Even the 44-oz. offering sells well, even though it tends to warm up quicker in the heat.

One reason is an occasional promo Brown offers with the 44-oz. cup. For example, he sold a pair of neon sunglasses for 99¢ with the 89¢ purchase of a 44-oz. cup. He says this proved to be a natural tie-in for softball players, who need sunglasses to shield their eyes from the sun. Brown says he sells the sunglasses at cost, but notches a handsome profit on the sale of the 44-oz. soda.

Soda and juice purchases also help boost sales of particular impulse items, such as sunflower seeds, chewing tobacco and gum, which are popular items for this segment of the market.

There are some other companion items that automatically sell with soda, beer and juice—ice, for example, which Brown sells in a 16-oz. bag for $1.40, grossing more than a 50% margin. He says some days the demand for ice warrants a second delivery from the local ice vendor.

Also linked to cold beverage business are sales of 32-oz. plastic squeeze bottles, which retail for $1.39. Brown has found them to be popular with not only softball players and other athletes, such as bicyclists and runners, but with kids as well.

Another marketer thriving in the cold beverage department is Lykins Oil Co., Milford, Ohio. Lykins' strategy is to make money on soda, but more than that, to use soda as the vehicle to sell impulse and other C-store items, and to get people in its seven Friend's franchise C-stores. So far, it's worked like a charm. Although Jeff Lykins, who manages the C-store operation for the company, admits soda margins "aren't what they used to be," they're still holding their own.

One of the flashpoints came when Lykins decided about a year ago to offer a uniform price for all fountain sodas, which include Pepsi, Coke, Sprite, Dr. Pepper and a variety of fruit juices. All of the cup sizes, including 14, 16, 20 and 32-oz., now retail for 49¢. "It's important that we get our name out as the place where fountain soda costs 49¢ all the time."

He adds that "we pull people in because they see the sign that offers all fountain drinks for 49¢." This marketing strategy promotes sales of candy and potato chips, as well as deli sandwiches and chicken.

Of the four cup sizes, Lykins says the 20-oz. and 32-oz. account for about 35-40% of total beverage sales. Lykins has noticed that in a middle class town such as Milford, white collar workers tend to purchase the 20-oz. cup more often than others, and that improves his margins because he pays less for the 20-oz. cup than the 32-oz. "White collar workers tend to find a 32-oz. drink too dangerous a prospect for spillage while driving," Lykins says.

Lykins recently jumped on the bandwagon of a month-long promotion conceived by Pepsi-Cola and a local radio station, WBEN. A 44-oz. Pepsi with the station's logo on it sold for 99¢. Lykins, which paid 13¢ for the reuseable cup, offered customers a refill for 49¢ during the month. It was a spur-of-the moment decision that identified Friend's as the place to go for soda and also provided the company with a gross margin just below the industry average of 34%.

Lykins also has a perennial promotion going with its hard plastic Friend's mug. All refills of coffee, soda and juice are refilled at a discount rate: 12-oz. for 5¢; 20-oz. for 25¢; and 32¢ for 49¢.

One California independent refiner/marketer, Ultramar, tries not to spread itself thin in the C-store business, but rather concentrates heavily on such products as fountain drinks. Says Les Martin, who's in charge of the C-store operation, "We're trying to make sure that what we do, we do well."

Ultramar, an international oil company, bought Beacon a few years ago, and maintains that brand name in central and northern California. It has 115 company-operated Beacon C-stores extending from Bakersfield on the south to the Oregon border on the north. It will soon go statewide with 62 more stations/C-stores acquired from Conoco. Some 18 of these are in the Los Angeles and San Diego areas, where Beacon is not well known, and they will fly the Ultramar brand.

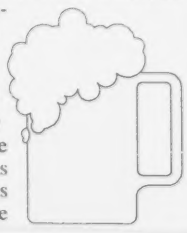
One example of Beacon's specialization is its soda fountain program. Stores have six or eight dispensing valves, generally, more at some stores, and offer a large variety of sodas. While McDonald's and others offer either Coke or Pepsi, but not both, Beacon sells Pepsi, Coke, Dr. Pepper, 7 Up, Gatorade, Orange Whip and diet versions of some, and even iced tea at some of the newer stores. The selection varies by store.

Says Martin, "In addition to carrying a greater variety, we're more competitive in price than fast food outlets."

Beacon carries many sizes: 12, 20, 32, and 44-oz cups. Insulated 32-oz. plastic foam cups sell for $1.99 on special, with the first fill free. A 32-oz. squeeze bottle sells on special for 99¢, with the first fill free. Refills are 99¢. Beacon even carries 11.25-in. straws, in addition to the usual 7.5-in., because regular straws are too short for the 44-oz. drink.

Beer

Sales of 16-oz. cans of beer—on ice—are hotter than a bowl of Texas-style chili for a franchisee of Friend's Inc., the San Angelo, Texas-based C-store chain. Friend's struck gold in October 1989 when it launched a beer promotion for one of its Friend's franchisees. It's now the toast of the town.



NPN'S CONVENIENCE

COMPANY	HQ LOCATION	C-STORE NAME
Acme Petroleum Fuel Co., Inc.	Gastonia, NC	Handy Pantry Food Stores
American Petrofina, Inc.	Dallas, TX	Finamart
Amoco	Chicago, IL	Food Mart
Arkansas Valley Petroleum	Tulsa, OK	Git-N-Go
Arco Products Company	Los Angeles, CA	am/pm mini market
Ashland Oil, Inc.	Ashland, KY	Superamerica
Aztex Enterprises	Knoxville, TN	Aztex Fuel and Food Centers
Bedford Valley Petroleum Corp.	Everett, PA	RG's Food Shops, Inc.
Berwick Bay	Morgan City, LA	Friends/Delta Mart
Best Oil Co.	Pittsburgh, PA	Toot-N-Scoot
BP America, Inc.	Cleveland, OH	Sohio/BP/Gulf Mart
Browning Oil Co.	Bowling Green, KY	Shell Food Marts
Campbell Oil Co.	Massilon, OH	Spee D Foods
Cannon Oil Corp.	Dothan, AL	Cannon
Casey's	Des Moines, IA	Casey's
Cel Oil Products Corp.	N. Charleston, SC	Unocal Mart
Cenex	St. Paul, MN	Cenex C-Stores/Townmart
Center Independent Oil Co.	Smock, PA	Sweet Peas
Certified Oil Co.	Columbus, OH	Certified Mini Marts
Champlain Oil Co.	South Burlington, VT	Colonial Deli Mart
Chevron Corp.	San Francisco, CA	Food Marts
Circle K Corp.	Phoenix, AZ	Circle K Convenience Stores
Citgo Petroleum Corp.	Tulsa, OK	Citgo Quik Mart
The Coastal Corp.	Houston, TX	Coastal Mart
Coen Oil Co.	Canton, OH	(various)
Colonial Oil Industries, Inc.	Savannah, GA	Enmark
Conoco, Inc.	Houston, TX	Conoco/Jet
Como Oil Co.	Duluth, MN	Milk House
Consumers Gasoline Stations	Nashville, TN	Scot/Consumers
Consumers Oil	Trenton, NJ	—
Convenient Food Mart	Rosemont, IL	Convenient Food Mart
Crown Central Petroleum Corp.	Baltimore, MD	Fast Fare/Zippy Mart
Crystal Flash Petroleum Corp.	Indianapolis, IN	CF Deli Bake
Cumberland Farms	Canton, MA	Cumberland Farms
Curt's Oil Co., Inc.	Muskogee, OK	Curt's
Dairy Mart, Convenience Stores, Inc.	Enfield, CT	Dairy Mart Convenience Store
Deblois Oil Co.	Providence, RI	D B Mart
Delta Group, USA Inc.	Mt. Pleasant, MI	Next Door Food Stores
Diamond Shamrock R & M Co.	San Antonio, TX	Diamond Shamrock Corner Store
Dickey Inc.	Packwood, IA	Dickey Prairie Home
Drakes Refinery Stations	Lansing, MI	Drakes Market Plus
Emro Marketing Co.	Springfield, OH	Speedway
Englefield Oil Co.	Newark, OH	Duchess Shoppe
Exxon Company, U.S.A.	Houston, TX	Exxon Shop
Farm & Home Oil Co.	Telford, PA	Farm & Home Corner Store
FKG Oil Co.	Belleville, IL	Motomart
Flying J Inc.	Brigham City, UT	Flying J
Foster Oil Co.	Richmond, MI	Sunrise Convenience Stores
Four Star Service Stations Inc.	Grand Rapids, MI	Four Star Service Stations & Stores
H.N. Funkhouser & Co.	Winchester, VA	Handy Mart
Gasco Gasoline, Inc.	Oxnard, CA	Gasco Mart
General Oil Co.	Batesville, AR	Quik Mart
Getty Petroleum	Plainview, NY	Getty Mart/Mr. Food/Hop-In/ Pen Supreme
Giant Industries, Inc.	Phoenix, AZ	Giant Food Stores
Golub Corp.	Schenectady, NY	Mini Chopper
Gresham Petroleum Co.	Indianola, MS	Double Quick
Harris Oil Company	Portland, OR	—
Hawaiian Independent Refinery, Inc.	Honolulu, HI	Express
Angus I. Hines, Inc.	Suffolk, VA	Sentry Food Marts
Barney Holland Oil Co.	Ft. Worth, TX	Jack B. Quick, Inc.
Horkey Oil Co., Inc.	Lubbock, TX	Friend's
Huck's Convenience Stores	Carmi, IL	Huck's Food Store
Hudson Oil Company	Tulsa, OK	Hudson
Hughes Energy, Inc.	Daytona Beach, FL	Sugarcreek
Hull Oil Co.	Panama City, FL	Jr. Food Mart (franchise)/Hull
Huntley Jiffy, Inc.	Orange Park, FL	Huntley-Jiffy Stores, Inc.

*Diesel
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N/A—Precise figures not disclosed by company
N/C—No change
?—Plan to add C-stores, but exact number unknown

STORE SUMMARY

1988 TOTAL	1989 TOTAL	1990 CURRENT	1990 PROJECTED	ADDITIONS PROJECTED IN 1991	AVG. GASOLINE VOLUME PER STORE PER MONTH		SIZE SQ. FT.	
					MINI	FULL	MINI	FULL
N/A	50	90	?	?	N/A	N/A	N/A	
150	157	144	154	10	74,298	99,880	800	1,500
1,000	1,200	1,308	—	—	—	—	800	1,600
12	13	11	11	12	—	60,000	—	2,400/3,000
782	720	731	N/A	N/A	N/A	N/A		2,500
500	595	600	—	—	—	—		3,400/4,400
N/A	36	31	33	3	115,000	80,000	800/900	1,800
—	—	5	7	1	30,000	50,000		
39	40	43	46	3			400	2,800
13	14	15	?	?	100,000	100,000		
620	700	719	803	113	145,000	110,000	1,000	1,500
7	10	10	11	?	60,000	75,000	900	2,000/2,800
21	45	45	48	3	75,000	80,000		2,300/3,300
18	17	17	19	1	—	85,000		1,500/2,000
N/A	732	771	790	?	—	—	—	2,500
—	—	4	6	1	—	125,000		
155	225	262	270	35	40,000	55,000	800/1,500	1,600/2,400
N/A	4	4	4	?	—	—	—	—
7	16	20	?	?	—	—	900	2,000
47	53	70	72	2	50,000	50,000		2,400
3,896	3,936	3,800	?	?	N/A	N/A	350	1,200
4,097	4,658	4,664	?	?	100,000	42,000		2,600
15	15	16	N/A	N/A	125,000	175,000	900	1,800
900	850	850	N/A	—	54,276	49,898		2,000
—	—	15	—	—	50,000	25,000		
—	—	7	7	0	85,000	150,000		
486	477	500	?	?	120,000	120,000	400	1,200/1,600
—	—	7	9	2	—	40,000		
—	—	43	?	?	45,000	—		
—	—	2	4	2	80,000			
1,450								3,000
532	580	571	—	—	—	—	500	2,400
N/A	24	25	—	—	50,000	90,000		N/A
1,200	1,075	1,100	1,100	—	—	—		2,000/3,000
—	—	13	17	?	125,000	—		
—	—	1,250	1,400	150	—	35,000		
7	11	16	19	4	—	65,000		2,200
—	—	42	—	—	—	—		
529	617	654	694	44	75,001	91,641		1,200
—	2	2	2	0	—	60,000		
12	13	18	23	3	60,000	60,000	800	
675	1,600	1,665	1,720	55	103,823	144,941		3,375
42	53	51	61	10	—	84,000		1,500/2,000
375	450	562	N/A	N/A	N/A	N/A		1,100
8	8	4	6	2	100,000	120,000		1,200
33	38	40	44	4	—	110,000	400	2,200/2,700
31	35	35	36	?		95,000		2,400
N/C	13	15	17	—	80,000	150,000		
11	11	10	10	0	70,000	350,000	1,000	
7	8	9	10	1	—	100,000		2,200/2,400
10	10	10	13	?	100,000	150,000		
35	33	28	29	2		50,000		1,400/3,000
300	435	578	634	60	—	—	600/1,000	2,000
15	21	27	42	15	150,000	150,000		2,000
7	7	7	N/A	N/A	32,000			
24	26	28	—	—	—	—		2,400
—		5	6	1	110,000	100,000		
—	7	?	11	4	—	—	—	—
28	30	32	32	2	—	55,000		1,700
3	5	5	5	?	—	50,000		1,500/2,000
N/A	20	20	21	2	90,000	80,000		
90	95	100	105	7	—	—		
11	11	11	11	?	—	—	400/1,000	
12	14							
4	5	5	6	4	75,000	50,000	1,000	2,400
323	330	369	?	?	—	50,000		

Under the promotion, the C-store operator offers customers two 16-oz. cans of Busch beer for 99¢. What makes the promotion an outstanding success is that it was set up in what is predominantly a low-income, blue collar area. "In low-income markets, one or two cans of beer is all some people around here can afford to buy," says Dan Farmer, CEO for Friends, Inc.

The franchisee, who once subsisted on one to two cases of Busch a week, is now ordering upwards of 60 cases, (1,400 cans). Farmer says the C-store operator has enjoyed as much as a 28% profit. Gross revenues then top $700 a week and the store's gross profit is about $180.

And future sales look just as bright, he says, despite a law recently passed in Texas that somewhat restricts open beer sales.

Farmer says one of the secrets to selling individualized beverages is to mount the can or the bottle on ice. It's a presentation technique that adds to the attractiveness of the product and exudes a feeling of cool, thirst-quenching delight.

Farmer admits that the beer promotion would not be as effective if the beer wasn't placed on ice. "When people see ice, especially in a hot part of the country like the Southwest, it gives off a soothing, cooling feeling," he notes. "The ice really makes the sale."

Coffee

New Englanders love their coffee, especially in the winter when the blast of a raw N'orteaster chills their bones. But even in what is traditionally off-peak coffee periods—spring and summer—coffee is a hot commodity. That's what East Hartford, Ct.-based Chucky's Country Stores has discovered.

Chucky's, operated by Aldin Associates, has 32 gasoline/C-store outlets located throughout Connecticut. The nucleus of the company's operating zone encompasses Norwich and New London, a fairly industrial, blue collar area located 90 miles southeast of Hartford. The two towns have a combined population of about 80,000.

Touting a two-brand lineup of Folgers and Sanka (decaffeinated only), Chucky's employees have watched coffee virtually sell itself to customers. Gross margins generally hover around the national average of about 68%, ac-

NPN'S CONVENIENCE

COMPANY	HQ LOCATION	C-STORE NAME
J&L Oil, Inc.	Vernon Hills, IL	J&L Food Mart
Jacobus Petroleum Products, Inc.	Milwaukee, WI	Jiffy Stop
Johnson Oil	Columbus, IN	Bigfoot
Kerr-McGee Refining Corp.	Houston, TX	Kerr-McGee Food Shop
Kimber Petroleum Corp.	Madison, NJ	Kwik Pik
Kocolene Oil Corp.	Seymour, IN	Kocolene Fuel/Food Marts
Krause Gentle Corp.	West Des Moines, IA	Kum & Go
Kunz Oil Co.	Edina, MN	Peoples Plus
Kwik Shop, Inc.	Hutchinson, KS	Kwik Shop, Inc.
H.C. Lewis Oil Co.	Welch, WV	Kwik Serv Food Marts
The LYDEN Co.	Youngstown, OH	Fast Chek Food Marts, Inc.
Mapco Petroleum, Inc.	Tulsa, OK	Delta Express
Martin Oil Marketing, Ltd.	Alsip, IL	Martin Mini Marts
McDowell Oil Service, Inc. Time Markets, Inc.	Milton, PA	Time Marketers, Inc.
McLeieer Oil Service, Inc.	Kalamazoo, MI	Food Port Marketing
Mid-Continent Systems, Inc.	West Memphis, AR	CMI
Mid-Missouri Oil Co. dba Jiffy Stop	Kaiser, MO	Jiffy Stop
Mid-States Petroleum	Troy, MI	Mid-Mart
Miller Enterprises, Inc. dba Handy Way Food Stores	Cresent City, FL	Handy Way Food Stores
Miller Oil, Co.	Norfolk, VA	Miller Mart
Mini Mart, Inc.	Casper, WY	Mini Mart, Inc.
Missouri Terminal Oil Co.	St. Louis, MO	Midco
Mobil Oil Corp.	New York, NY	Mobil Mart
Munro Petroleum & Terminal Corp.	Biloxi, MS	MP Food Stores
Murphy Oil USA, Inc.	El Dorado, AR	SPUR
Musket Corp.	Oklahoma City, OK	Love's Country Stores/ Love's Travel Stop
National Convenience Store	Houston, TX	Stop-N-Go
National Oil & Gas Inc.	Bluffton, IN	(various)
Neal, Inc.	San Antonio, TX	One Stop Food Stores
Nella Oil Co.	Auburn, CA	1 Stop Convenience Food Stores
Pacific Northern Oil Co.	Seattle, WA	Panoco
Pal Oil Company, Inc.	Palmyra, NY	Palmart
Parker Oil Co., Inc.	South Hill, VA	—
Patterson Oil Co., Inc.	Torrington, CT	PATCO Handy Shop
PDQ Food Stores, Inc.	Madison, WI	PDQ Food Stores, Inc.
Petroleum Marketers, Inc.	Roanoke, VA	Stop In Food Stores, Inc.
Petrotex Marketing, Inc.	Midland, TX	Friends Convenience Stores
Phillips 66 Co.	Bartlesville, OK	Phillips 66
Piasa Motor Fuels, Inc.	Alton, IL	Piasa Pantry
Pilot Oil Corp.	Knoxville, TN	Pilot Foodmarts
Pride Oil Co. Inc.	Columbus, MS	Pride Pantry
Pride of Texas Dist. Co.	Arlington, TX	One Stop/Sack N' Sack/Pride Foods
Private Brand Services, Inc.	Cadillac, MI	P.B.S. Party Store
Promana, Inc.	Honolulu, HI	Express Mart
Purity Oil Co.	Tulsa, OK	Fastop Stores
Quality Oil Co. I, Ltd. Partnership	Winston-Salem, NC	Quality Mart
Quiktrip Corp.	Tulsa, OK	Quik Trip
Racetrac Petroleum, Inc.	Atlanta, GA	Racetrac Petroleum Inc./Multi Store
Red Hed Oil Co. Inc.	Richmond, KY	Redi-Mart
Republic Oil Corp.	Woodland Hills, CA	Dixxie Mart
River Oil Company	Memphis, TN	(various)
Robinson Oil Co. Inc.	San Jose, CA	Mrs. Robbie's Foodstore/ Mrs. Robbie's Snackspot
Royster Oil Co. Inc.	Shelby, NC	RoCo Food Stores
Russell Petroleum Corp.	Montgomery, AL	KwikShop Food Stores
Sahara Oil Co. Inc.	Phoenix, AZ	Rebel Quik Mart
Save-X, USA, Inc.	Roanoke, VA	Save-X Mini Mart
SCASCO	Winsted, CT	(various)
Schaeffer Oil Inc.	Winner, SD	"Lil Feller"
Shay Oil Co. Inc.	Yuma, AZ	Shay's Mart
Shell Oil Company	Houston, TX	Shell Food Mart
SICO Co.	Mount Joy, PA	Sicoserve
Sing Oil Co.	Thomasville, GA	Sing Food Stores
Smith-Shafer Oil Co.	Rockford, IL	—

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STORE SUMMARY

1988 TOTAL	1989 TOTAL	1990 CURRENT	1990 PROJECTED	ADDITIONS PROJECTED IN 1991	AVG. GASOLINE VOLUME PER STORE PER MONTH		SIZE SQ. FT.	
					MINI	FULL	MINI	FULL
26	31	24	29	6	70,000	100,000		2,000
	12	13	14	1	60,000	70,000		
		50						
—	—	43	?	?	—	—		
N/A		3	6	?	150,000	150,000		
—	—	20						
N/A	137	137	149	15	—	36,000		
15	15	1	0	0	—	—	1,000	2,700/4,500
N/A	210	210	211	3	—	45,000		
N/A	4	4	5	1	—	50,000		
45	54	70	75	7	45,000	75,000		1,400
265	310	339	?	?				1,800
41	41	43	?	?	—	—	140,000	2,000
28	30	30	30	0	—	70,000		2,500
2	2	2	4	2	—	40,000		2,000/3,500
—	32	27	27	0	—	20,000		
7	8	12	?	?	—	60,000		1,200
18	32	32	38	11	130,000	130,000	800	2,500
141	141	143	151	8	—	—		2,400
N/A	21	35	39	6				N/A
116	117	117	119	122	—	45,000		2,400
		24	29	?	87,000	34,000		
800	N/A	N/A	N/A	N/A	N/A	N/A	600	N/A
N/A	41	34	?	?			1,000	1,200/1,400
		173	190	—				
100	119	123	132	11				1,800/4,000
1,200	1,099	1,099	1,102	N/A	—	N/A		2,400/3,090
24	28	28	33	5	40,000	80,000		
30	25	25	—	—	—	40,000	500	3,500
21	27	27	30	—	—	150,000		2,400
—	2	2	3	?	—	100,000		
6		9	12	3	96,000	60,000	1,000	2,200
—	30	30	33	3	—	60,000		
6	8	8	10	2	85,000	105,000		N/A
N/A	105	99	111	12	—	—		N/A
—	54	54	58	4	80,000	70,000	1,000	1,800
18	20	20	23	3	N/A	N/A		
136	159	190	?	?	—	—	800	
6	9	9	11	2	60,000	50,000		
115	72	52	?	?				2,200/2,500
N/A	7	7	8	9	—	35,000		
21	27						900	2,600
1	1	1	1	0		120,000		
—	10	10	?	?		120,000		
—	14	14	17	4	80,000	100,000		
24							200	2,200
252	255	279	309	?	—	—		3,200
N/A	268	168	?	?				
N/A	8	6	8	?	60,000	50,000		
1	4	4	1	?	200,000*			
2	3	3	3	1				1,500
7	7	7	10	3				
19	19	19	21	2	30,000	30,000		2,400
15	17	19	22	4	—	—	1,400	3,000
N/A	6	6	8	2	—	100,000		
—	10	10	11	2	55,000	27,000		
N/A	10	10	10	?	50,000	65,000		
3	6	6	6	0	—	40,000		2,500
N/A	13	20	22	2	100,000	100,000		
1,100	1,164	N/A	N/A	N/A	N/A	N/A	800	1,000/2,600
7	10	10	13	3	92,500	125,000		
52	55	55	—	—	—	—	1,000	2,700
—	5	5	6	3	125,000	—		

cording to Jeff Leedy, marketing manager for Aldin Associates.

Leedy says the ingredients used to make the company's coffee sales strong include outlets in high traffic areas, preferably near where people work, and having reputable brands of coffee to sell. Nothing new here, he says, Chucky's coffee sales have always been brisk.

But coffee won't sell if its not done properly. The slightest deviation in blends or brands can instantly alienate a whole community of coffee customers, he explains. "The allegiances and brand-loyalty of coffee drinkers is very high, and that's something we bank on," says Leedy.

Chucky's dispenses it coffee from a self-contained 5-ft. by 5-ft. coffee island that churns out freshly-brewed coffee packaged in 1.7-oz. packets. The company uses glass urns (two per store to improve accessibility), a method that is "probably the sizzle that sells the product," Leedy adds.

Using glass urns, although requiring more labor (i.e., cleaning pots and filters, making fresh cups every day), works better because it lets customers see what they are pouring and enhances their trust in the product.

The marketing of whole-bean coffee, complete with do-it-yourself grinding and flavor-of-the-day specials has been a hit for Gasamat Oil Corp., a marketer operating in eastern Colorado.

According to Terry Gallagher Jr., retail operations manager for Gasamat, the program, instituted when his 3,500-sq.ft. C-store opened last year in a high-tech, high-rent area of East Boulder, has racked up impressive gross margins of 70-80% on individual servings. They've also achieved about a 28% ($1.67 per bag sold) margin on their bulk program, where customers grind their own beans after purchasing bags of coffee for $5.99/lb.

Gallagher offers a dozen varieties or flavors of gourmet whole-bean coffee, including vanilla, chocolate mocha and an Irish blend. The flavors have piqued the interests of customers enough that some come into the store just to see what the flavor of the day is, Gallagher says. The standard offering is Gallagher's Colorado blend. It is a regular blend coffee which is a step above other regular coffees. That's because it is supplied by a local coffee supplier named "Allegro," says Gallagher, and offers a deep, rich taste.

NPN'S CONVENIENCE

COMPANY	HQ LOCATION	C-STORE NAME
Sugarcreek Corp.	Rochester, NY	Sugarcreek Stores
Sun Refining & Marketing Co.	Philadelphia, PA	Stop-N-Go
Sunshine Jr. Stores Inc.	Panama City, FL	Sunshine Jr. Food Stores
Taylor Oil Co.	Winston-Salem, NC	Etna Food Stores
Texaco, Inc.	Houston, TX	Food Mart
Thornhill Oil Co., Inc.	Fort Wayne, IN	Amoco Food Shops
Thornton Oil Corp.	Louisville, KY	Thornton Gas & Food Mart
Time Saver Stores Inc.	New Orleans, LA	Time Saver Stores, Inc.
Tooley Oil Co.	Sacramento, CA	Shell Food Marts/Tooley's Mart
Total Petroleum, Inc.	Denver, CO	Total Mart/V Mart/ Road Runner/A Mart
Transit Oil Co.	Louisville, KY	Transit Mart
Ultra Power Corp.	Monticello, NY	Ultra Mart
Ultramar, Inc.	Hanford, CA	Ultramart
United Refining Co.	Warren, PA	Kwik Fill/Red Apple Food Mart
UNOCAL Corp.**	Los Angeles, CA	Self Serve Marts
Vista Marketing Group, Ltd.	Rockford, IL	Vista
Wake Up Oil Co., Inc.	Indianapolis, IN	Mini Snack Shop
Warelubco, Inc.	Jacksonville, IL	Wareco Country Stores
Warren Equities, Inc.	New York, NY	Xtra Mart
Welsh Oil, Inc.	Merriville, IN	(various names)
Western Marketing, Inc.	Abilene, TX	Wes-T-Go, Inc.
Westgate Oil Co.	Muskegon, MI	WESCO/ Good Neighbor Convenience
A.T. Williams Oil Co.	Winston-Salem, NC	Wilco Food Marts
J.H. Williams Oil Co., Inc.	Tampa, FL	76 Mini Marts, Inc.
The Wills Group, Inc.	La Plata, MD	Dash In Food Stores, Inc.
Wooten Oil Company	Goldsboro, NC	Kwik Mart
York Oil Co. Inc.	Hampton, VA	Easy-Go Stores

Somewhat unlikely, but a real boon for business, is the fact that Gallagher sells gourmet and regular coffee for the same price. For instance, a small 12-oz. coffee, gourmet or regular, can be had for 29¢; a 16-oz. for 49¢; and a 20-oz. for 59¢. Gallagher also has a 12-oz. Club Mug which offers unlimited refills at a discounted rate. Gross margins on individual coffee servings range from 22¢ to 44¢ per cup.

The store, called "Gallagher's," has thrived coffee-wise since the day it opened. That was assured through an intensive study of the area and other demographic factors that told management what the Boulder consumer wanted in a coffee program.

Chicken

While fried chicken remains a high-cost, labor-intensive hot potato for most jobbers, at least one Michigan marketer is watching his chicken sales go through the hen house roof.

Originally geared up to do about $100-$250/day in sales, Mooney Oil Co. in Lansing, Mich., today sells $1,200-$1,600/day in chicken through its expanded facilities, says Terry Hardin, vice president of operations for Mooney Oil.

Though presently selling through only one outlet, plans are being laid to either franchise their spicy recipes and/or introduce the chicken in two other locations.

When the company started its chicken operation about three-and-a-half years ago, they displayed their chicken in a glass bin that was part of an extended cashier island.

Sales exceeded their expectations, but the company also wanted to figure out how to maximize their profits, so it shut down the operation for nine months. While the operation was closed, Hardin says the company lost the $30,000-$40,000/mo. in chicken sales, in-store sales dropped 20-30% and gasoline sales declined 10-15%.

The store underwent a complete redesign. The chicken operation became a separate entity with its own manager and sales space adjacent to the C-store. With the new setup, the chicken facility could be properly cleaned and employees could be well-trained, Hardin says. He adds that before the redesign, it was hard to mix the chicken and C-store operations, with chicken sales inevitably slowing down sales at the C-store.

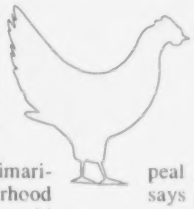
Security also influenced the store's redesign. With the neighborhood in a state of deterioration and high crime,

STORE SUMMARY

1988 TOTAL	1989 TOTAL	1990 CURRENT	1990 PROJECTED	ADDITIONS PROJECTED IN 1991	AVG. GASOLINE VOLUME PER STORE PER MONTH MINI	AVG. GASOLINE VOLUME PER STORE PER MONTH FULL	SIZE SQ. FT. MINI	SIZE SQ. FT. FULL
N/A	100	100	110	10	70,000	70,000	N/A	2,000/2,500
485	620	742	N/A	N/A	—	—	300	2,000/2,400
309	315	308	333	25	—	27,000		1,800/3,000
56	55	55	57	2	114,000	114,000	900	2,400
900	1,705	1,150	1,319	75	145,000	155,000	1,000	1,800
11	22	23	25	3	90,000	100,000		1,000
N/A	75	79	89	?	—	—		
139	139	136	—	—	—	30,000		3,200
7	8	7	8	?	175,000	240,000	200/800	
470	535	604	619	12	140,000	140,000	800	1,500
7	15	15	15	0	—	—	800	
4	4	3	5	2	15			1,500
120	114	150	—	—	—	—	600	1,600
110	110	351	?	?			700	1,500
2,500	2,500	1,924***	?	?	N/A	N/A	500/1,000	2,200
4	6	6	8	2	100,000	175,000		
5	5	7	9	?	100,000	75,000	280	2,500
N/A	72	63	73	12	—	—	900	2,400/2,600
87	101	101	110	7	91,000	66,000	1,000	1,500
27	28	28	?	?				2,400
N/A	11	12	12	1	—	65,000		
28	28	28	28	?	125,000	125,000	1,000	2,000
83	88	91	?	?	—	100,000	800	2,400
6	6	6	8	4	100,000	150,000		1,400
32	32	36	43	?	125,000	110,000		2,400
N/A	23	23	25	2	50,000	70,000		
N/A	10	10	10	0	88,000	75,000		

both the chicken facility and the C-store adjacent to it are enclosed behind a thick wall of bulletproof glass. Customers walk down a 25-ft. hall, peering through the glass first at the chicken outlet and then in the C-store to check out what they want to buy. Hardin says the setup also provides a safer, less intimidating environment for employees.

Besides developing the security system, the company also improved on what it calls its "Original Goood [three o's] Chicken." Taking the "Henny Penny" recipe to begin with, the company added hot spices to their chicken and potato wedges. Hardin says the spicy chicken is much more popular than the regular chicken among area customers.



The outlet is located in a primarily African American neighborhood near downtown Lansing. To avoid stereotypes, Hardin points out that all ethnic groups eat fried chicken, but customers around the Mooney Oil location tend to prefer the spicier offerings.

Estimating startup costs, Hardin says fryers, fryer ventilation units, display bins and automatic "breaders" for the chicken (to ensure even breading) can run between $40,000-$60,000.

So chicken does appear to live up to its reputation as a high-cost, labor-intensive diversification. But by going full-steam ahead, Mooney Oil has overcome the initial obstacles and turned it into a money maker.

Even though it sits in the shadow of a national fried chicken chain, Lykins Oil Co., Milford, Ohio, has found a way to make its fried chicken program a profit center.

With a Kentucky Fried Chicken within spitting distance from one of his southern Ohio stores, Lykins Oil is appealing to the one-stop, pre-dinner shopper to make its chicken program successful. It has worked well, to the tune of $450/day in sales in the company's top outlet.

The one-stop shopping appeal gets customers into the store, says Jeff Lykins, who manages C-store and fast-food operations for the company his father owns. The aroma of the fried chicken does the rest.

So, with quality and competitive pricing to match that of the major chains, Lykins gets extra sales via the "one-stoppers," who will pick up some staples on their way home from work, gravitate toward his chicken counter and pick up a chicken dinner (a 21-piece meal costs $16.99) for the family. "Our stores are bright, spacious and cheery, and that helps as well," says Lykins.

Lykins Oil now has chicken at three of its seven C-stores. All three are located in areas where people work—industrial parks, small businesses, etc. Consumers prefer to stop at C-stores close to their workplace, Lykins finds, as opposed to where they live.

The labor factor scares some marketers, but it hasn't discouraged Lykins, whose $450/day in chicken revenues offsets the labor cost. That figure has also been enough to cover the cost of the two-day training period that Lykins requires of his employees. The cost of labor per store is about 1-1/2 extra persons per day. At about $5/hr., that comes to $60.

"We do $450/day in one store and another store has done as much as $500/day," says Lykins, who pays 91¢/lb. for a whole fryer. "Chicken is labor intensive, but the sales pay for the labor.

"We use the Chester Fried Chicken program, and the batter is consistent and good. We fry and marinate our chicken, and the breasts seem to have twice the meat (as some competitors' products). We have regular and cajun breading and sell potato wedges and curly fries on the

side," Lykins points out.

On weekends, chicken sales flounder, Lykins says; therefore, he doesn't even bother to turn on the equipment. It's further proof that his true customer base is the weekday workforce from a nearby industrial park.

The only problem Lykins had was selling chicken wings, the least popular part of the chicken. He solved that by creating a homemade hot sauce recipe and selling "hot" wings. Customers took to them almost immediately.

More tips on chicken:

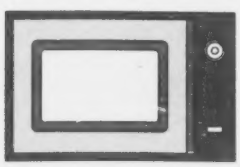
- Make sure to install the equipment when the store opens, not later on, says Jeff Leedy, director of marketing for Chucky's Country Stores. It costs more to retrofit.
- Install cooking equipment in full view of customers to gain their trust.
- Cut the chicken in sections of eight instead of nine (as some chicken chains do) to make them look larger.
- Be creative with excess product. One operator found that unsold chicken can be converted into chicken salad and sold, as the operator put it, "dirt cheap," or about $1.99/lb.

Microwaveable Foods

Hurried and harried Philadelphians who care about nutritional value but don't have time to slave over a hot stove caught a break in September 1989.

That's when Wawa, Inc., the eastern Pennsylvania-based C-store giant (476 stores) unveiled a chilled dinner concept called "Fresh Buffet" to a limited 10-store test market area in metropolitan Philadelphia.

Test market customers gave Fresh Buffet the highest marks for low calorie content, economy and taste appeal. First, the consensus was that the meals taste much better since they are never frozen and contain no preservatives. Also popular with the test group was the fact that three of the meals contain less than 300 calories and that none cost more than $3.99 per serving.



But the real clincher for the fledgling product was the convenience aspect. Ed Burcher, product planning manager of prepared foods for Wawa, says the company found that 90% of all households in the Philadelphia area have microwave ovens—10% more than the national average. What's more, 98% of those surveyed during the market study said they own a microwave. This high percentage of microwaves was the opportunity Wawa needed to roll out Fresh Buffets system-wide. Customers can also use in-store microwaves if they prefer.

Other demographic factors didn't affect the decision to expand Fresh Buffet's coverage as much, Burcher says, because the entree appealed to all people. "We have stores near industrial parks, suburban stores, white collar areas, blue collar areas, you name it," says Burcher. "Lifestyle is what made it go. It is ideal for consumers on the run, basically single men and working mothers with families, who don't have the time to prepare meals." Because Fresh Buffets are chilled, and not frozen, the microwave cooking time is cut from seven to three minutes, Burcher says.

The Fresh Buffet line, which features 20 meals in all, is packaged in a vacuum-sealed plastic tray in an overwrapped box with an illustration of the particular meal on the front of the box. Entrees include such delicacies as Chicken Mornay, Lasagna Bolognese, Shrimp Creole, Country Style Pork with Stuffing, Chicken Mexicana and Beef Teriyaki. To keep certain entrees in demand, Wawa rotates 12 of the 20 meals on a weekly basis. Eight are always available.

In evaluating other customer traits, Burcher discovered that during the mid-morning or early afternoon, most customers brought Fresh Buffets back to the workplace, where microwaves are now frequentlly standard appliances. Microwaving at the store, on the other hand, was more popular among blue collar workers and traveling salesmen who didn't have access to an office.

Wawa plans to expand its new chilled dinner line to all of its 470 stores next year.

Deli, Fast Food

Operating a successful deli bar in a convenience store takes planning, merchandising skill, quality products and an awareness of local tastes. A little imagination doesn't hurt either. But the payoff's worth it—typically almost twice the unit gross margin over other product categories.

Some of the best delis in the business are run by White Hen Pantry, a 380-store chain based in Elmhurst, Ill., which operates in three Midwest and two Northeast states.

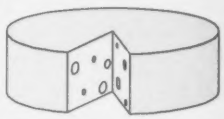
White Hen has undertaken a major revamp of its fast-food/perishable sections throughout its network; bringing previously scattered deli, fresh produce, baked goods, fountain drinks and coffee service departments into one compact alignment extending along one wall from the cashier's counter. Entrances have been moved from the center to this side wall. This, plus the placement of the milk cooler in the corner, moves customer traffic past the food/drink displays where eye appeal and aromas can work their magic.

White Hen's 8-ft. deli cases feature tempting displays of a variety of fresh Vienna meats, cheeses, salads and trimmings. All sandwiches are prepared by hand by store personnel from the deli case. Local ethnic tastes are also targeted—hot peppered cheese in a Spanish community, for example, or lox in a Jewish neighborhood.

"We have fantastic sales on sandwiches," says Karen Gruesen, White Hen merchandising specialist. The sandwiches retail for $1.99 regular size and $2.99 for double size.

The sandwiches and deli items are promoted by lighted menu boards above and behind the deli case. The boards also display full-color photographs of featured items.

Party trays are another recent merchandising innovation. Many stores now offer a variety of customized trays featuring meats, cheeses, vegetables, snacks and cookies for neighborhood gatherings, sporting events and the like. A buffet meat and cheese tray, for example, includes ham, roast beef, chicken roll, corned beef, sliced American, Creamy Brick and Swiss cheese, potato salad or baked beans and large ripe olives. Serves eight to 10 folks for $19.95.



White Hen also offers 3-ft. Italian or American "Super" party loaves for $39.95. The party items can be delivered the same day of the order. White Hen promotes its party business with pass-out full-color brochures in the store.

White Hen does a big business in "perishables," with about half of the sales volume in many stores derived from deli, fresh produce, bakery, etc., according to Gruesen. Deli gross margins are about 60%. This gives the company a gross margin between $1.20 and $1.80 on each sandwich sold.

Promoting deli products is also paying off for Denver-based Gasamat Oil Corp. Last year, Gasamat, a traditional self-serve gasoline marketer, opened a 3,500-sq.ft. C-store and gasoline facility in a shopping center in Boulder, Colo. The store—called "Gallagher's" to tone down the "gas"

connection—has a full-service deli with seating for 25. The customer base includes 7,000 high-tech office workers in a nearby office complex, plus transit and neighborhood traffic.

Gallagher's uses advertising, couponing and direct mail to hustle up deli business. At the outset, the company mailed out deli menus to offices in the area and installed a fax machine to take deli orders. A followup mailing is planned for the near future, according to Gasamat's Terry Gallagher Jr.

"The fax has worked well," says Gallagher. "We get some big sandwich orders with it, up to a $100 on occasion. However, most of the orders still come through by phone."

To appeal to its white collar clientele, Gallagher's serves a variety of made-to-order sandwiches. The big seller is a char-broiled bratwurst, retailing in two sizes for $2.49 and $3.49. The number two favorite is a Chicago-style hot dog for $1.49. Number three is an Italian submarine selling for $2.49 (6-in. size) and $3.49 (9-in.).

The Italian subs are especially popular during the football season, when Gallagher's packs the sandwiches in a "Buff Box" for Univ. of Colorado Buffalo football fans. "We also promote the catering of luncheons during the football season," Gallagher says. The store advertises a special 28-in. "tailgate" submarine loaf for $9.99.

Couponing has also been very successful in promoting Gallagher's food and drink. The company works closely with vendors to develop tie-in product promotions, frequently getting discounts on product or coupon costs to help defray the costs. "A normal return on a coupon promotion is about 3-4%," Gallagher says. "We've been getting 20% returns."

The deli is open from 6 a.m. to 9 p.m. Wrapped sandwiches are stored in a cooler for the overnight trade.

Total deli gross margins are averaging about 45-50%, Gallagher reports. Deli sales range between $15,000-$20,000/mo. "We're working hard to get the margins up," he says. "As you know, delis are very labor intensive."

Delis are a strong part of Rockford, Ill.-based Smith Oil Co.'s C-store merchandising.

Employees arrive early every morning to prepare the day's cut-meat sandwiches, subs, croissants and baked goods. Its bakery handles fudge, cookies and fresh rolls, says Roger Breeland of Smith Oil.

Each of his five locations has an oven, with some having "proofers" to raise bread dough. His locations also have microwaves for customers to warm up their purchases.

Breeland says that while it doesn't take a brain surgeon to run a deli, certain rules to ensure uniformity are enforced. He relies on his manager to make sure employees are trained properly.

"People tend to be more generous when they make sandwiches," Breeland says. "So while you don't want to gyp the customer, you don't want your employee making a $3 sandwich and selling it for $2."

Breeland says the company is redoing one location, putting in a new bakery case and a reach-in deli case. He says that customers may be more inclined to buy when they can serve themselves.

With 10 C-stores, many in relatively small towns in California's agricultural San Joaquin Valley, Moore Petroleum, an Exxon distributorship based in Banta, does well with fast foods: hot and cold sandwiches, a breakfast sausage-egg sandwich, hot dog and microwave products, all prepackaged.

Jerry Moore stresses buying and selling the best quality of fast foods available. He buys from several different suppliers, sometimes changing from one to another to get the best.

Moore's breakfast is relatively new, about a year and a half old, and it took off right away. "Some of the fast-food chains pioneered the concept, and we just went that way, too," he says. He sells coffee, sausage-egg, sweetrolls, donuts and a large assortment of baked products. Every morning everything is fresh.

For fast foods, freeway locations are better than in-town locations, he says. In neighborhoods where there's not a lot of competition, groceries go best.

Additional deli tips, from industry sources:

- The optimum number of sandwich varieties at a deli appears to range from seven to twelve.
- Food service sandwiches sell best on Monday and Friday.
- Keep your perishable product displays, including sandwiches and deli, looking full "round the clock"—not just at peak hours.
- Deli operators either slice or shave their meats. When cut into thin slices, meat appears more one-dimensional. Shaving makes the sandwich appear larger and the customer thinks he is getting more for his money. Shaving also lends more flavor to the meat, operators agree.
- Make sure you give fast foods maximum visability and visual impact. Give it your best spot and make it look exciting and inviting.

Hot Dogs

Fleming Petroleum Inc., Pittsburg, Kan., is letting the All-American mystique surrounding hot dogs and the ethnicity of polish sausage weave their merchandising spell in one of its new C-stores, located in Kansas City, Kan.

According to Ed Roitz, president of Fleming Petroleum, which owns or supplies 14 gasoline station/C-stores in eastern Kansas, hot dogs have no peer when it comes to their almost universal appeal.

At its Kansas City outlet, which opened in the spring of 1989, the 50¢ price Roitz charges for a hot dog is an attractive bargain for customers. He offers a pure beef dog that is the same standard size sold in baseball parks—usually at more than twice the price. Roitz has the traditional transparent hot dog carousel where the dogs are wedged onto a spindle and rotate on a roller device. A heat lamp keeps them hot and fresh. If one wants a step up in gourmet hot-dogging, the polish dog is sold for $1.29 and is about one-third to one-quarter bigger.

Roitz has found that an onslaught of new developments in Kansas City, a diverse manufacturing town with a middle income, blue collar demographic profile, has brought construction crews out *en masse* to area fast-food shops and C-stores at the noon hour.

Roitz says it's not uncommon to see a group of construction workers frequent the hot dog station in his 3,000-sq.ft. C-store. "Construction workers will pick up a hot dog or a polish and a bag of chips and away they go," says Roitz. "Hot dogs are very economical and not very labor intensive. With the way we chose to market them, which is a very basic process, the cost is virtually nothing."

Small and easy to handle, hot dogs are also popular for consumers who like to eat on the go, like traveling salesmen or zone managers.

Roitz says the "dogs" have definitely helped bolster his overall C-store sales, which as of July 1990 were in the $50,000-$60,000/mo. range.

Cigarettes

Newly-furnished promotional displays and point-of-sale signage have been the one-two punch Paul Schmuckal, president of Schmuckal Oil Co., Traverse City, Mich., needed to get his cigarette sales over the hump.

Marketing in a predominantly resort

community (17,000 population) and including some local industry, commercial and farming clientele, the company is located 100 miles south of Mackinac Island. Schmuckal says cigarette sales began to turn for the better after two national tobacco companies stepped in to help out

Schmuckal, a Shell Oil jobber, says in late 1988 cigarette sales in some of his 16 Shell Food Marts were showing a decline, with one store bottoming out with a 10% decrease from the previous quarter.

With the help of point-of-sale signage from Marlboro (mostly outside) and promotional displays (mostly in-store) from R.J. Reynolds, Schmuckal turned around his negative cigarette sales over an 18-month period through July 1990. His most unproductive store, for example, turned that 10% loss into a 10-15% gain over the period, a nifty turnaround of 25%.

The POS signs furnished by Marlboro were used as pump toppers and C-store counter displays. Permanent plastic promotional floor and counter displays were furnished by R.J. Reynolds Co. These displays featured an added merchandising ploy.

First, the displays allowed Schmuckal to sell cigarettes in two and three-pack units. This appealed to smokers who wanted to purchase more than a pack but less than a carton. But the kicker was a giveaway program, which offered a choice of a free blank video cassette tape, T-shirt, cigarette lighter or baseball cap to anyone purchasing the R.J. Reynolds brands. Another option was a free pack of cigarettes.

To date, Schmuckal has installed both the signs and the displays in 12 of his 16 Shell Oil Food Marts. In those outlets, the combination of signs and diplays produce better sales than in those stores with just one of the other.

"I found that the signs alone don't really work, but that the displays alone do produce sales. On the whole, using both signs and displays works best," says Schmuckal.

Lottery and Videos

The first step in successful merchandising of lottery tickets and video rentals is a careful analysis of trading area demographics—specifically the economic level of the community and the size of the town.

Take lottery tickets, for example. John Gerlesits, vice president of operations for Sweeney Oil Co., says "lottery sales in lower income areas always do better."

Lottery outlets pay an "insignificant" installation fee. Gerlesits says, and these outlets (or agents) receive 5¢ on the dollar for each ticket sold.

Lottery can be a big traffic builder. Gerlesits says traffic increases significantly when the lottery jackpot rolls over into the $25-million to $40-million range.

Gerlesits was surprised when marketers in one southern state wanted to take lottery out of their stores, because it attracted too many people. "Is a customer an interruption of their day?" he asks in disbelief.

Gerlesits says lottery is an important part of Sweeney's business, and all six of their locations carry it.

Lottery has always been a staple with Smith Oil Co. of Rockford, Ill., and its five Midwest locations.

Roger Breeland of Smith Oil says the state lottery commission is "very good" about advertising and offering different games to keep people's interest high. In Illinois, an agent can carry on-line machines for weekly and daily jackpots, as well as card rolls for rub-off rewards.

The only drawback Breeland sees is the complexity of the on-line games, where customers can "box" numbers for extra winnings and or enter numbers of their own choosing. This complexity eats up checkout time and can prolong employee training.

Meanwhile, in the area of video rentals, Breeland finds rental success in towns between 1,000-2,500 in population, areas where the big video chains have not reached.

He has an outside firm come in to handle the videos. They change the selections periodically and collect a commission. Breeland gets a part of that action as well.

Breeland says what marketers end up with is zero investment dollars and both a cut of the rental income and increased traffic.

Acknowledging the influx of big video rental chains, Breeland admits that rentals at his outlets in larger communities have suffered.

Sweeney Oil, too, at one time tested videos, but Gerlesits says the company backed out when the big video chains invaded the market.

In those smaller communities, however, video sales are still going strong, Breeland emphasizes. And with no expense to his company, Breeland maintains a healthy traffic-building profit center.

With the right location and a minimum of big league competition, video business can be profitable. "Videos are also a natural for tie-in sales," says one Midwest marketer.

Marketers have the option of purchasing video stock outright—and taking all the profit—or signing up with a vendor for a cut of the proceeds.

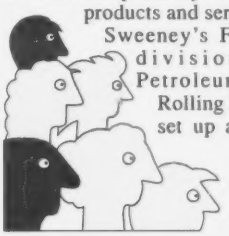
A purchase arrangement might cost $8,000-$10,000 for a startup inventory of 200 titles (mostly older movies in a typical jobber outlet) and higher if new releases are included (at about $70 a pop). Once the initial investment is written off through rentals, income is mostly pure profit.

To avoid the high upfront cost, many jobbers prefer to work with vendors. A typical deal might give a marketer 30% of the income from the first 200 movies rented each week and 50% of each rental after that.

Focus Group

Want to know what your customers really think about your C-stores?

Why not ask them? Better yet, organize a "focus group" session and invite a random selection of customers in to do an in-depth analysis of your stores' products and services



Sweeney's Foodworks, a division of Omni Petroleum Co., Inc., Rolling Meadows, Ill., set up a focus group session last fall to get a better reading on how customers viewed its Franklin Park, Ill., prototype store. The session produced some interesting insights into the store's operation—and a couple of surprises, to boot.

"It's a great opportunity to find out what your customers expect from your store and how they feel about the service you provide," says Mary Adkins, advertising coordinator for Sweeney's, who helped set up the focus group.

Sweeney's experimented with two types of focus sessions: an existing customer group and a group of people selected randomly from the store's trading area. "By far, the customer group was the more effective approach," Adkins says. "They're easier to lure into the session and they're more familiar with the products and services you offer."

Customer names and phone numbers were supplied from a Halloween promotional prize drawing held at the store. Adkins then got busy on the phone, calling customers and inviting them to the session.

"We were looking for a turnout of about 15 people, which is a manageable group," says Adkins. "But we got commitments from three times that number, because normally only one in three actually show up for this type of session."

The final turnout was 12 people—seven women and five men. "We were pleased with this ratio, since one of the things we wanted to find out was what attracted female and male customers to our store," Adkins says.

The session was scheduled at 7 p.m. on a Tuesday evening (a less busy and calmer time, Adkins says) and set up in an upstairs room at the store. Participants were told the session would take half an hour; it lasted 45 minutes longer because customers got interested and involved in the discussion, according to Adkins.

Participants were served coffee, fresh bakery goods and a sampling of meats and cheeses from the deli. At the conclusion, each received a sample tray of meats, cheeses and baked goods.

The presence of John Sweeney, head of the division, at the session also was a big help, Adkins says. "It signified to the group that the top man took a personal interest in what they thought."

Sweeney's set the direction of the discussion using a 20-page questionnaire. Questions included frequency of store visits, reasons for shopping there (fuel, store products) and how the customers evaluated the products offered and the service they received.

Here are some of the key findings that emerged from the focus session:

- Sweeney's wanted customer input on what to do with a 16-ft. section of shelving that was being "re-merchandised." This had been a video section that was being closed because of poor sales. "Group participants told us that a section offering gift wrapping and all-occasion cards would be a good idea; more desirable than some of the things we had considered putting there," Adkins recalls.
- Solving the mystery of the "invisible" deli. "Customers told us they had to walk the entire floor to find the deli, which was on the left side of the store away from the entrance. As a result, we moved the sandwich case close to the cashier's counter, redirecting customer traffic toward the deli section."
- Participants suggested having lot attendants available on the islands—especially during winter months—to help them pump gasoline and pay for fuel purchases more quickly. Sweeney's is now testing a "gas express" system, putting an attendant on the islands during peak hours to assist customers—especially the handicapped—and to promote oil sales.
- The store's bakery muffins were "too large," customers said. "So now we serve smaller muffins, but take in the same amount of profit on them," Adkins says.
- Finally, Adkins says, the focus group confirmed what most knowledgeable C-store operators already know: that fast, friendly service is a more important factor than price in attracting customers to your stores.

Employee Incentives

Two Midwest companies—Crystal Flash Petroleum Corp., Indianapolis, Ind., and Crystal Flash Co., Grand Rapids, Mich.—are finding employee incentive programs to be an effective tool for cutting costs and boosting store profitability.

(The two companies are separate corporate entities, although owned and managed by members of the same founding family.)

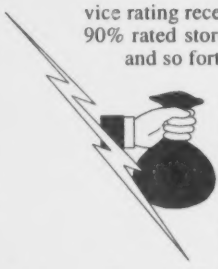
Crystal Flash (Indiana), operator of 26 gasoline/C-store outlets, introduced a novel approach to improving store employee productivity about a year ago. The incentive program goes under the name "Lightning Bolt."

According to Greg Cobb, vice president of operations, the program is designed to reward employees of the company's top performing stores in the areas of inventory control and lowest level of shortages. Employees at the five top-rated stores in each category receive a specified number of "lightning bolt" credits which they can redeem for gifts, merchandise or motor fuel.

"Ten bolts have a redeemable value of $1, which the employee can apply to the purchase of his or her choice—a dollar's worth of gasoline, for example," Cobb points out. "An employee can also 'buy' a day off with 400 bolts."

The lightning bolts are awarded on a sliding scale, according the the store's performance ranking. If a store is ranked number one in inventory, for example, employees receive 150 bolts. Number two store employees get 80 bolts; number three 60; number four 40; and number five 20.

Bolts are also awarded for a store's customer service proficiency—promptness, friendliness, etc. Stores are rated by mystery shoppers hired from an outside firm. Stores receiving a 100% service rating receive 200 bolts; a 90% rated store gets 90 bolts; and so forth.



Cobb says the program is still too new to assess its overall effectiveness yet, but it appears to be helping Crystal Flash's efforts to reduce employee turnover by 25%. "Employees are responding well to the program and they're more aware now of the importance of inventory and cash controls."

The incentive spur at Crystal Flash (Michigan), which operates 27 C-stores, is hooked to the individual store manager's performance.

Crystal Flash president Thomas Fehsenfeld describes the program as a commission system. "Our store managers are paid a base salary, plus a percentage of gasoline and store revenues," he says.

In addition to cents-per-gallon commission, managers receive 50% of the gross margin on store sales. From this figure, controllable expenses such as labor, supplies, utilities and shortages are subtracted.

"The system has worked well for us," Fehsenfeld says. "The managers manage themselves. We're not constantly on their backs to produce. They're very good at keeping costs in line and shortages to a minimum, so overall we end up with a lower cost of operation." And we also achieve a good cost ratio on the sale of gasoline."

According to Fehsenfeld, Crystal Flash managers take in about 50% above the industry average in income for store managers—a range of $25,000 to $40,000 a year. "There's virtually no turnover in our manager ranks, either—maybe one or two per year," he says.

For employees, Crystal Flash has a quarterly bonus program. Based on company profits, the bonus normally averages about 12% of the employee's base pay.

"We also have a mystery shopper program, which grades store employees on customer service," Fehsenfeld says. "When a store scores well, everyone gets a bonus."